

Subpart 3528.3—Insurance**3528.301 Policy.**

(b) In addition to the requirements of FAR 28.301(b), designated contractors (see 3525.801-73(a)), as prescribed at paragraph 7 of Article XVIII of the Agreement in Implementation of Article III of the Panama Canal Treaty of 1977, shall, upon initiation of work or construction activities, obtain appropriate insurance to cover civil liabilities in the Republic of Panama that may arise as a result of acts or omissions done in the performance of official duty by their employees. The insurance coverage shall include coverage for the tortious conduct of their employees. Such insurance may be obtained from insurance companies licensed to engage in such business within the Republic of Panama.

3528.305 Overseas workers' compensation and war-hazard insurance.

(d) Pursuant to a waiver granted by the Secretary of Labor, effective January 22, 1980, the provisions of the Defense Base Act are not applicable to any public-work contract awarded by the Panama Canal Commission in the Panama Canal area with respect to non-U.S. citizen employees, i.e., any Panamanian or other foreign national, employed under such contracts. The waiver does not apply, however, to employees who are:

- (1) Hired in the United States by any contractor;
- (2) Residents of the United States; or
- (3) Citizens of the United States.

The waiver was granted with the proviso that the non-U.S. citizen employees thus exempted from the provisions of the Defense Base Act will be provided workers' compensation benefits prescribed in the Panamanian Social Security System.

3528.309 Contract clause for workers' compensation insurance.

(a) In addition to FAR clause 52.228-3, Workers' Compensation Insurance (Defense Base Act), prescribed at FAR 28.309(a)(1), the contracting officer shall insert the clause at 3552.228-73, Non-U.S. Workers' Compensation Insurance, in all public-work solicitations and contracts in which the em-

ployment of Panamanian or other foreign nationals is anticipated (see 3528.305(d)).

3528.370 Contract clause for special Panama insurance.

The contracting officer shall insert the clause at 3552.228-74, Special Panama Insurance, in all public-work solicitations and contracts:

- (a) Which are to be performed in whole or in part in the Republic of Panama, and
- (b) For which offers are anticipated from, or contracts are awarded to, U.S. contractors.

PART 3529—TAXES**Subpart 3529.4—Contract Clauses**

3529.402 Foreign contracts.

3529.402-1 Foreign fixed-price contracts.

AUTHORITY: 40 U.S.C. 486(c); Articles XI and XII of the Agreements in Implementation of Articles III and IV of the Panama Canal Treaty of 1977, respectively.

Subpart 3529.4—Contract Clauses**3529.402 Foreign contracts.****3529.402-1 Foreign fixed-price contracts.**

(a) *Procedures regarding FAR clause 52.229-6.* In recognition of the fundamental purpose of paragraph 2(e) of Articles XI and XII of the Agreements in Implementation of Articles III and IV of the Panama Canal Treaty of 1977, respectively, representatives of the Governments of the United States and Panama approved an Agreement on Taxation of Contractors on August 6, 1986. This taxation agreement impacts on U.S. contractors in certain circumstances. In order to alert prospective contractors to this possibility, the following procedures shall apply regarding FAR clause 52.229-6:

(1) The contracting officer shall supplement FAR clause 52.229-6, Taxes—Foreign Fixed-Price Contracts, by inserting the following note at the end of the clause in all solicitations and contracts, unless the acquisition is a small purchase under FAR part 13 that:

- (i) Will not require the contractor's presence in Panama, or
- (ii) Does not solicit U.S. offerors: